

B-16.03

Stanley Corporation has no material problem with uncollectible accounts or obsolete inventory. All sales and purchases are on account. The company provided the following information for the year ending 20X7:

Total sales	\$ 2,600,000
Beginning accounts receivable	700,000
Total purchases of inventory	1,800,000
Beginning inventory	50,000
Collections on accounts receivable	2,400,000
Payments on accounts payable	1,850,000
Cost of goods sold	1,775,000

- (a) Calculate the "accounts receivable turnover ratio."
- (a) Calculate the "inventory turnover ratio."
- (c) If Stanley's competitors have a receivables turnover ratio of "6" and an inventory turnover ratio of "4," would you initially conclude that Stanley is better or worse than its competitors in managing receivables and inventory?